

Top Secret

(Security Classification)

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday September 23, 1976

CI NIDC 76-224C

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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State Dept. review completed

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National Intelligence Daily Cable for Thursday, September 23, 1976.

The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 [] President-elect Sarkis is scheduled to take the oath of office at noon today in the Syrian-occupied town of Shaturah, despite threats by some leaders--most notably Prime Minister Karami and leftist Kamal Jumblatt--to boycott the ceremony.

25X1 [] Speaker of the House Kamal al-Asad expects between 65 and 70 of the 99 parliamentary deputies to attend; []

25X1 [] speculate that 42 Muslim deputies will refuse to make the trip. Al-Asad has said that Sarkis will be sworn in even in the absence of a quorum. 25X1

25X1 [] Karami's refusal to attend the ceremony is probably less an attempt to undercut Sarkis than to portray himself as opposed to Syrian control of Lebanese politics. Karami has cooperated with Damascus in the past, but since Syria began supporting the Christians, he has attempted to preserve his credibility with his Muslim constituency by arguing for a Lebanese rather than a Syrian solution to the crisis.

25X1 [] Sarkis' inaugural address is expected to focus on his plans for trying to resolve the Lebanese conflict--the first indication of his thoughts on the matter. He may spend the night in Shaturah in order to attend another Syrian-Palestinian-Lebanese meeting scheduled for tomorrow.

25X1 [] Sarkis, reportedly depressed by the results of the meetings, has apparently asked Syrian President Asad to attend tomorrow's scheduled session. According to a Lebanese newspaper, however, the conference may well be postponed as a result of the earlier lack of progress. 25X1

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[REDACTED]

[REDACTED] Shamun has been maneuvering to shore up his own position in the new regime. Earlier this week he had publicly asserted that taking the oath of office outside Beirut would render the inauguration unconstitutional, presumably to give him an opening to cause trouble later if he decides to do so.

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[REDACTED]

[REDACTED] Heavy fighting is continuing in Beirut; there have been outbreaks of intense shelling, and sniper fire in the downtown area has virtually closed off the crossing point near which Sarkis was originally scheduled to take his oath of office. Clashes were particularly heavy yesterday in the southern suburbs of Shiyah and Ayn Rummanah.

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[REDACTED] Much of the activity in the Mount Lebanon area was confined to intense shelling, although a tank duel was reported at Alayh. The Christians report heavy fighting in the eastern section of the northern port of Tripoli. [REDACTED]

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USSR-SYRIA: Moscow Reducing Criticism

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[REDACTED] Moscow is cutting back on its criticism of Syria and may be trying to move all sides involved in Lebanon toward a political settlement.

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[REDACTED] The USSR has been more evenhanded toward the Syrians and the Palestinians in its recent public statements on Lebanon. On September 8, an authoritative "Observer" article in *Pravda* for the first time upbraided "leftist elements" of the Palestine Liberation Organization, along with Damascus, for failing to achieve a cease-fire. Soviet public statements on Syria have also softened in recent weeks, and the central press has stopped calling for a Syrian troop withdrawal.

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[REDACTED] On Monday, a Soviet diplomat in Cairo told US officials that Moscow was urging both the Syrians and the Palestinians to reach a compromise. The Soviets have reportedly been using "friendly persuasion" to try to get Syrian President Asad to adopt a more impartial position on the Christians and Muslims in Lebanon, while at the same time pressing the Palestinians to be more accommodating with the Syrian leadership.

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[] The Soviet official said that the recent visit of Vladimir Vinogradov, the co-chairman of the Geneva conference on the Middle East, to Damascus was meant to put pressure on Syria. Syrian Deputy Foreign Minister Rafai remarked []

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[] that Vinogradov was more interested in relating the Lebanese crisis to a resumption of the Geneva conference.

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[] An article in *Pravda* by Yury Glukhov last Sunday called for a solution to the Arab-Israeli crisis as a prerequisite to ending the Lebanese entanglement. The Soviets for the past several months had reversed the order of those two priorities. Glukhov also emphasized the "urgency of the speediest convening" of Geneva.

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[] We have seen no indication that Soviet efforts to restrain the Syrians include a suspension of either military or economic aid. Soviet arms carriers continued to arrive at Syrian ports during August and September.

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FRANCE: Economic Program Announced

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[] Prime Minister Raymond Barre yesterday announced his much-heralded economic program, aimed mainly at bringing the French inflation rate out of the double-digit range.

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[] The main features of the program are:

--A three-month freeze on most prices.

--A package of fiscal measures whose net effect will be a moderate tax increase hitting higher income groups and business.

--Imposition of an anti-inflation tax on business.

--Slower monetary growth.

--Measures to increase investment in plant and equipment.

--A \$1.2-billion aid package for drought-stricken farmers.

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[] Notable for its absence was any mention of controls on wages--a key inflationary factor--which have been rising recently at a 17-percent annual rate.

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[] Barre said only that wages "should" rise at the same rate as prices for the next year. With the major unions opposed to the Giscard government, such pleas for moderation are likely to fall on deaf ears. The government, however, will try to set an example in its own wage negotiations.

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[] The government's measures should have a positive short-term impact, holding consumer price increases near zero during the last quarter of the year. In addition to the price freeze, the value added tax on a wide range of products will be cut.

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[] A similar tax cut in 1973 sharply slowed price increases for about three months. Neither of these temporary measures, however, will directly affect the underlying causes of inflation.

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[] The real test of the program will come early next year when the price freeze expires. Barre hopes that the projected sharp improvement this fall will reduce expectations about future inflation and thus induce both business and labor to behave more moderately.

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[] Tax increases--including a 4-percent boost in the corporate rate, and a 4- to 8-percent increase for higher income individuals--will also help somewhat, but are not sufficient in themselves to change the basic inflation picture. At best they may help bring the government budget back into equilibrium in 1977, following a moderate deficit this year.

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[] Potentially more significant is the new anti-inflation tax on business, which has been on the books for the last two years but has not yet been implemented. A uniquely French innovation, the tax is intended to dissuade firms from raising prices and indirectly to force them to take a firmer stance in wage negotiations.

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[] On balance, the French inflation rate during 1977 should be lowered by the new program. The rate will still be

high, however, possibly close to 10 percent. So much inflationary pressure has already been built into the French system--especially the recent large rises in wages, money supply, and imported raw materials prices--that a more dramatic improvement seems unlikely. [REDACTED]

CHILE: Letelier Assassination

[REDACTED] //The assassination Tuesday of former ambassador Orlando Letelier is already causing problems for the Chilean government, which is being generally blamed for the murder.//

[REDACTED] //Opponents of the Chilean junta are pointing to Letelier's employment by the Institute for Policy Studies as the most probable reason for his murder. His studies there reportedly were influential in persuading the Netherlands recently to deny a loan to Chile and to boycott Chilean products--actions cited by the Chilean government in depriving Letelier of his citizenship earlier this month. He was also an active lobbyist against US economic and military aid to the junta.//

[REDACTED] //Exiled Chileans have played a prominent role in the campaign to discredit the military government. Their major centers of activity have been in Italy, France, Sweden, Finland, and the UK. Pockets of exiles are also scattered throughout Western and Eastern Europe, as well as the US. Many are members of solidarity and resistance movements that spread antijunta propaganda.//

[REDACTED] //Several attempts were made this year to form a united opposition movement. A joint exile organization was founded in Mexico earlier this year headed by former president Allende's foreign minister Clodomiro Almeyda. Previous attempts to coordinate and solidify exile activities have failed.//

[REDACTED] //The Chilean government will have a hard time backing charges that it was behind Letelier's assassination. Leftist opponents of the junta, who have the most to gain from the incident, are already accusing Chilean intelligence services of complicity.//

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[redacted] //The opening of the UN General Assembly in New York will give the junta's enemies a clear opportunity to focus world attention on the issue of human rights, and the Letelier killing will be used as fresh ammunition. [redacted]

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YUGOSLAVIA: Tito's Health Improved

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[REDACTED] President Tito left Belgrade last weekend to visit Belje in Slavonia.

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[REDACTED] The original forecast by Yugoslav officials had been that Tito would stay in Belgrade--though not hospitalized--for treatment of an acute liver condition. The fact that his doctors approved his travel to Belje, which is about 150 kilometers (93 miles) from Belgrade, suggests that the 84-year-old President is responding well to treatment.

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[REDACTED] On Monday, Tito received a delegation of top federal and republic officials. A short announcement on the meeting said that his recuperation is progressing well. [REDACTED]

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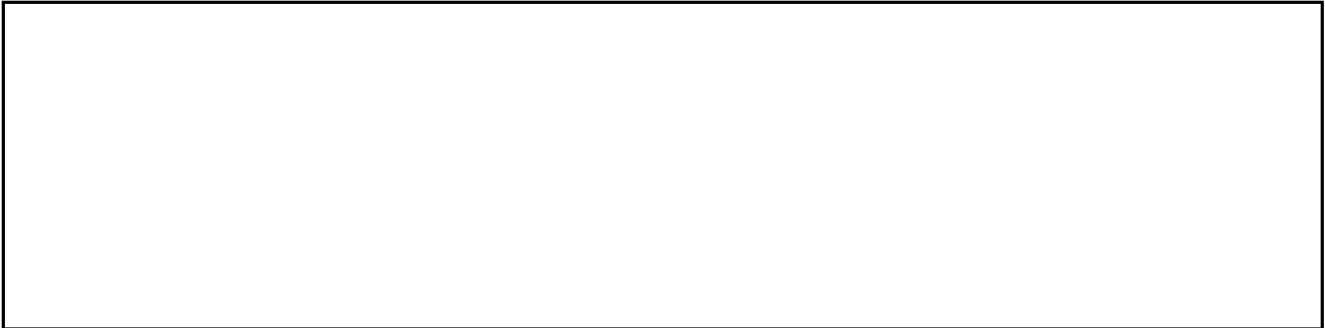
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SPAIN: Cabinet Change

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[redacted] The Spanish government yesterday named General Gutierrez to be first deputy prime minister in place of General Santiago.

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[redacted] Gutierrez, who is close to King Juan Carlos, is likely to be a more effective spokesman for the government's liberalization program than was Santiago, who has ties with the Spanish right wing.

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[redacted] Juan Carlos reportedly wanted Gutierrez as deputy prime minister even before he ousted the Arias government last July, but he apparently was stymied by conservative opposition. He did, however, push the appointment of Gutierrez to be army chief of staff in June. He may have felt that, in view of the support Prime Minister Suarez received from senior generals when he briefed them on the reforms two weeks ago, the time had come to move Gutierrez to the deputy premiership.

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[redacted] The sudden ouster of Santiago is likely to be viewed with some concern by the more conservative generals, but they may be partially mollified by a high award the King will confer on him today. The government may also be able to point to Santiago's health problems--he had a massive heart attack in 1974--as justification for his removal.

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[redacted] It seems unlikely that the King's backing within the military will be significantly eroded by the move. [redacted]

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UK: Seamen's Strike Averted

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[REDACTED] //The national seamen's strike in the UK, set to begin next Sunday, was averted yesterday by the successful 22-hour bargaining session between union officials and shipowners.//

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[REDACTED] //The seamen, who had been demanding a special wage boost that exceeded the government's "phase two" guidelines, settled instead on a package of fringe benefits. Because the benefits are unique to the shipping industry, most other unions will find it difficult to use the seamen's agreement as a precedent for demanding substantial extra benefits for their own members.//

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[REDACTED] //Nevertheless, an official of the government's conciliation and arbitration service told US diplomats that the settlement "will cause a lot of headaches for the new government during the next six months." The miners, in particular, will be pursuing a demand for a reduction in the age for retirement.//

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[REDACTED] //A key element in the settlement was the ship-owners' agreement to allow extra time off for seamen required to remain on board ship without working and without pay. Other fringe benefits included improved allowances for food, travel, and other expenses, and payments for periods of idleness between ship assignments. [REDACTED]

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EC: Obstacles to European Parliament

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[REDACTED] //EC foreign ministers formally codified this week a decision made by the European heads of government last December to hold direct elections to a European Parliament, but obstacles remain that could delay ratification by the nine national parliaments.//

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[REDACTED] //In the preamble to the act, the member countries promise to do their best to hold direct elections in May or June 1978, although they are not legally committed to that date. A firm date will be set by the Council, presumably after the nine national parliaments have ratified the act and passed enabling legislation.//

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[REDACTED] //The UK and France are the only states where ratification is expected to be a major problem. The British Parliament begins debate this fall on the related issue of home rule for Scotland and Wales, and this could delay consideration of the European Parliamentary issue, possibly until spring. The Liberals are insisting that the legislation provide for proportional voting--which would increase their number of seats substantially--and they have threatened to link this demand with support for the devolution bill.//

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[REDACTED] //British Foreign Minister Crosland noted his concern in Brussels that "genuine constitutional difficulties"--as well as procedural problems such as the drawing up of new electoral districts--may prevent the British from holding direct elections as scheduled. While Crosland maintains that the UK's inability to meet the deadline should not prevent the other eight from going ahead, the French are likely to resist making an exception for the British.//

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[REDACTED] //In France, ratification promises to be one of the most divisive issues before the National Assembly this year. President Giscard faces vigorous opposition from Communists on the left and hard-line Gaullists on the right, both of whom oppose direct elections on the grounds that they will eventually lead to increased powers for the European Parliament at the expense of national sovereignty. The Socialists, on the other hand, are inclined to support the bill, although this would strain their alliance with the Communists. [REDACTED]

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UNESCO-ISRAEL: UN Mission Refused

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[REDACTED] //Israel has refused at this time to accept a UNESCO-sponsored mission to observe educational and cultural policies in its occupied territories.//

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[REDACTED] //The proposal for the UNESCO mission is largely a personal initiative of the organization's director, Amidou M'Bow--the first black African to head a major UN body--and it was taken in response to a resolution passed at the general conference in 1972.//

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[REDACTED] //That meeting passed three anti-Israeli resolutions that led to a boycott of UNESCO-sponsored activities by prominent intellectuals of several countries, as well as a suspension of US financial contributions to the organization. M'Bow has consistently tried to mitigate the effects of these resolutions, despite criticism from Arab and other third world states.//

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[REDACTED] //Israel's refusal to receive the mission--claiming that the opening of the school year and the approach of the Jewish religious holidays made it impossible for local officials to receive the group at this time--is likely to bring further anti-Israeli action at the UNESCO general conference that opens in Nairobi next month. [REDACTED]

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INDONESIA: Alleged Plot

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[REDACTED] The announcement in Jakarta of an alleged plot to overthrow the Suharto government probably is aimed at discouraging criticism and intimidating potential opponents prior to the general election next May.

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[REDACTED] //In view of the regime's pervasive security controls and the disarray of the political opposition, it is unlikely that a serious conspiracy was under way. [REDACTED]

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[REDACTED] Although the election is still more than half a year away, preparations are already well under way. We expect that the government-controlled coalition of interest groups that serves

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as the official party will return Suharto to power with a commanding majority. The regime's principal concern is to surpass the 61-percent majority Suharto received in the general election in 1971.

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[] Although the administration has permitted some discussion of shortcomings in the economic and social spheres, it has now served notice that criticism of the leadership will not be tolerated. []

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